



Tom Barrett
Mayor, City of Milwaukee

November 20, 2008

To the Honorable
Common Council of the City of Milwaukee
City Hall Room 205

Dear Council Members:

As all of you realize, the fiscal environment surrounding the 2009 budget was extremely challenging. I am pleased that the Budget you adopted contains my Budget priorities, including the maintenance of Police strength, increased commitments to infrastructure, and innovative approaches to a strong level of Neighborhood Library services. The adopted Budget also reflects a restrained property tax levy, a noteworthy achievement in light of the ongoing negative impact of the State's Shared Revenue freeze and the expectations we face from our residents for City services.

We need to begin preparing for a difficult future. The City must present a unified, assertive, and positive posture during the upcoming State Budget process. I intend to work with the entire Council in demonstrating to the Governor and the Legislature that we use State resources wisely and effectively.

I have submitted four vetoes that I have explained in detail below. These vetoes and the related substitute actions reflect my desire for modest modifications to the adopted Budget so that it provides departments with the resources they need while limiting the impact on 2010 Budget sustainability.

If the Council sustains my four vetoes and adopts my proposed substitute actions as outlined below, there will be a \$321,330 decrease to the 2009 tax levy, relative to the Council's adopted Budget. There will be a \$621,330 decrease to the operating budget. Thank you for your consideration.

Sincerely,

Mayor Tom Barrett

Veto of Items included in Common Council Amendment 1 B

I am vetoing certain budget lines and items contained in Common Council Amendment 1 B, which among other changes added 24 firefighter positions and related funding for salaries and special duty pay. These positions reflect the Common Council's intent to provide for a staffing level of five firefighters on eight Fire Department ladder companies.

I am pleased that this amendment restores sufficient funding to allow for the continued operation of all but one engine company in 2009, as I had recommended. However, I am concerned with the sustainability of the action to continue a fifth firefighter on eight ladder companies. In addition to the impact of the additional salary amounts, it is estimated that an additional \$663,158 in fringe benefit expenses will be needed for these positions. This amendment makes no funding provision for these additional expenses with respect to the 24 additional firefighter positions.

My proposed substitute action provides for the funding of a fifth firefighter on four ladder companies. This would continue the staged approach that prior budgets have taken regarding the reduction of engine and ladder staffing levels. Milwaukee is one of the few cities that have not adopted a standard of four or fewer firefighters on fire response apparatus. Recently the City of Boston adopted what has become the standard practice of assigning four firefighters to ladder trucks.

My proposed substitute action provides for the capacity to continue the massive and rapid Fire Department response to calls for service. Multiple responding units allow for a substantial level of personnel to be on the scene of a fire. The Department can respond to more than 88% of calls with 24 or more firefighters in 8 minutes or less. This is the same service level as was provided when five positions were assigned to an apparatus.

The response capacity that my substitute action provides for does not compromise resident or firefighter safety. My proposed action also enables a relatively smoother transition into an enormously challenging future budget environment.

The net impact of my veto, if sustained, and proposed substitute action will decrease the operating budget and the tax levy by \$944,833, compared to the Council's actions.

Based on the above reasons, I ask that you sustain my veto and adopt my recommended substitute action.

Veto of Items included in Common Council Amendment 2 B

I am vetoing certain budget lines and items contained in Common Council Amendment 2 B, which reduces operating expenditures in various city departments by 1%.

My concern with this amendment is that it was not based on an analysis of the impact this reduction would have on departments' capacity to deliver City services. Therefore, the amendment as adopted will generate negative operating impacts and 2009 Contingent Fund exposure. Prior to adopting amendment 2 B, the Council had rejected an amendment to increase funding for Business Improvement Districts by reducing the Department of Public Works (DPW) operating expenditures by \$93,000.

The Council's rejection of this approach was based on a concern with reducing line items without an understanding of the reduction's impact. Yet amendment 2B reduces DPW's operating resources by almost four times that amount, without any indication of how service capacity would be affected.

Departments have no incentive to inflate operating expense because more operating expenses mean fewer resources for personnel. During Budget review there was no specific documentation that such accounts were in fact inflated.

The operating expense budget city wide, *excluding energy*, has decreased substantially since 2004 in inflation adjusted terms. The 2009 proposed citywide O&M operating expense total, excluding energy, is actually 12.6% less than the 2004 total in inflation-adjusted terms.

Operating expense accounts contribute directly to service delivery. Energy, solid waste contracts, snow and ice operating expenses, tools, replacements parts, construction supplies, property services, information technology, telephones, and reimbursable services (e.g., the Police Department reimburses the Department of Public Works for fleet maintenance) are essential to delivering service on a daily basis. *These items account for almost 77% of the operating expenditure line items.* Uniforms and uniform allowances, which are tied to collective bargaining contracts, represent another 4%. General office expenses, which were cited as one rationale for Amendment 2 B, represent only 3% of this total. General office expenses have been essentially flat since 2004 on a nominal dollar basis, and have declined 13% since 2004 on an inflation-adjusted basis.

I am also concerned with the rationale for exempting certain administrative departments from this reduction. If, for example, there is a presumed problem with general office expenses, why would the Council choose to exempt itself, as well as four other departments, that account for more than 16% of the city-wide general office expense budget total?

Other Council actions during the amendment process place an additional strain on departments' operating resources. For example, the Council's increase to the proposed 2009 storm water charge creates an additional \$77,000 expense for City departments, with no corresponding increase to their budgets to absorb this impact.

My proposed substitute action adjusts various departments' operating expense amounts to minimize the most substantial risks of negative operating impacts and Contingent Fund exposure, *while preserving 61% of the tax levy reduction* contained in Amendment 2 B. My veto and proposed substitute action takes into consideration the ability for departments to allocate funding among the various operating sub accounts as best fits their service needs.

The proposed substitute action contains the following changes:

- **\$5,100 for Information Technology (IT) Services in the Department of Administration (DOA).** IT licensing and maintenance make up 61% of DOA's total operating expenditure budget. These expenses support city-wide IT functionality, and most of these expenses are contractually-obligated. In effect, the amendment would require DOA to cut approximately 2.6% from its other operating expense accounts, which I believe is significant given the reductions to

its initial budget request. The Budget Office reduced DOA's initial operating expense request by 11% (more than \$93,000), which was reflected in my 2009 Proposed Executive Budget.

- **\$18,800 for Professional Services in the Health Department.** The 2009 Proposed Executive Budget added \$20,000 to the Health Department's request for operating expenditures, based on my evaluation of the need for additional security at the Keenan Health Care Clinic.

The Budget Office did not recommend reallocation from baseline 2008 levels due to its assessment of the potential impact of STD clinic services demand and electricity costs on the Department's operating expenses. The Department uses its professional services account to pay for technical skills such as interpretation services at city health centers and payments for the Health Department's two physician positions, the Chief Medical Director and the Associate Medical Officer. The professional services account is also used for temporary employees services in the lab and clinics and to pay for lab certification fees, professional memberships, and department training.

- **\$11,800 for Property Services, \$5,600 for Property Services, and \$3,900 for Energy, in the Milwaukee Public Library.** My intent is that the Library allocates these amounts according to its most critical needs in 2009.

I have multiple concerns with Amendment 2 B's impact on Library operations. First, the Council through Amendment 55 B added position authority and related salary funding to enable an increase of almost 7% to my "preferred" Budget's level of Neighborhood Library service hours, which the Council had earlier incorporated through Amendment 2 A.

However, Amendment 55 B does not add increased funding for electricity costs related to this increase in service hours. This could lead to a shortfall of approximately \$10,000 during 2009. Second, the Council's increase to the proposed 2009 storm water charge creates an additional \$3,500 increase to the Library's property services budget, which was not funded through any amendment. Third, prior year cost increases have stretched the capacity of the Library's operating accounts.

For example, between 2004 and 2007 the Library's operating expenditures declined 4.4% in inflation-adjusted terms, despite a 25% increase in security expenditures and a nearly 16% increase in energy costs. Despite the Library's reduced consumption of energy, these expenditures are continuing to increase. The 2009 Proposed Budget, as well as Amendment 2 A, appropriately increased the Library's energy cost line in an effort to avoid a continuation of shortfalls in this account. These shortfalls averaged \$43,000 between 2004 and 2007, despite the Library's efforts to control these expenses.

In short, I believe the impact of Amendment 2 B on the Library will result in Contingent Fund exposure.

- **\$4,500 in General Office Expense for the Municipal Court.** The 2009 budget for the Court is based upon an estimate of between 140,000 - 145,000 case filings. The Court now projects that, in light of the recent increase in Police Department activity (primarily traffic cases), a 2009 workload of at least 165,000 cases is likely.

The general operating expense area (45% of the Court's operating total) includes two very large items directly related to case filings - the purchase of case files and the production and mailing of notices. Based on the updated caseload projections, it appears the Court may need to expend from between \$20,000 and \$40,000 more than the Proposed Budget provided. Amendment 2 B simply increases this probable budget challenge. There is very little opportunity to reallocate from other accounts to meet this challenge.

- **\$22,300 in Construction Supplies and \$52,600 for Reimburse Other Departments (ROD) in the Department of Public Works-Infrastructure Services Division (DPW-ISD).** These two sub-accounts amount to 84% of this Division's operating budget total. Both of these sub-accounts have been under increasing budget pressure. The 2009 Proposed Budget increased Construction Supplies in response to a 19% increase since 2004 due to cost increases and increased demand for street and electrical services repair work. A \$223,400 shortfall in this account last year contributed to the need for 2007 Contingent Funds for DPW. The Budget Office is projecting that shortfalls will again occur in 2008.

The ROD sub account primarily funds electricity for street light burn time and traffic controls, as well as telephone and printing expense. Amendment 2 B added \$232,000 to this account in order to maintain street light burn time at close to current service levels. Reductions from either of these two sub-accounts would affect critical services. There appears to be relatively little opportunity to reallocate from other operating sub-accounts, since most of these expenditures also support infrastructure repairs or maintenance of property.

- **\$120,100 for Other Operating Services in the Department of Public Works-Operations Division (DPW-OPS).** The Operations Division bears considerable exposure to budget contingencies in any given year. My concern with Amendment 2 B is that it reduces the Division's capacity to respond to these contingencies. The Council's increase to the storm water charge adds approximately \$38,200 to the Division's costs in 2009, and Amendment 107 further reduces the Division's flexibility by decreasing its Repair Services Account by \$86,600. Finally, the Adopted Budget provides DPW-Operations with approximately \$1.1 million less than what could be required for snow and ice control operations during a normal calendar year. Therefore, I believe it is appropriate to allow the Division a greater level of operating expense authority than provided for in the Adopted 2009 Budget so that DPW can respond as necessary, without undue exposure to the 2009 Contingent Fund.

The proposed substitute action related to my veto of portions of Amendment 2 B will increase the operating budget and the tax levy by \$244,700, compared to the Council's actions.

If the Council sustains my veto and adopts my proposed substitute actions, 61% (\$381,938) of the levy reduction impact from amendment 2 B is preserved.

Based on the above reasons, I ask that you sustain my veto and adopt my recommended substitute action.

Veto of Items included in Common Council Amendment 40

I am vetoing certain budget lines and items contained in Common Council Amendment 40, which eliminates 4 Battalion Chief positions and creates 3 Fire Captain-Safety Incident Officer positions in the Milwaukee Fire Department.

The 2009 Proposed Budget for the Fire Department included nineteen Battalion Chiefs. Fifteen Battalion Chiefs supervise five geographically-defined areas over the 24 hour shifts. These positions are needed to provide appropriate supervision and command coverage at fires.

Through discussions with the Fire Department it was determined that the elimination of three Battalion Chiefs and the creation of the three Fire Captains will not create an operational problem. The Department retains the option of pursuing the reclassification of these positions through the Fire and Police Commission, which is an appropriate option. However, there is an immediate and serious operational problem resulting from the elimination of the fourth Battalion Chief.

The remaining Battalion Chief in question is assigned to the Training Academy. This existing position is responsible for providing training classes, research and development, recruit class oversight, and freeway construction safety associated with the I-94 reconstruction project. Training classes include not only fire suppression training, but also fire safety training, incident safety officer training, and in-service training.

This training is an essential part of the fire department operation. It is the basis for the Department's ability to provide quality service to the citizens of Milwaukee. Without this position, service quality would suffer significantly.

My proposed substitute action adds position authority, FTE, and related funding of \$78,803 for one Battalion Chief position. Please note that this is not a new position. This action ensures that our annual investment of more than \$100 million in the Fire Department is improved on an ongoing basis.

The net impact of sustaining my veto and adopting my proposed substitute action will increase the operating budget and the tax levy by \$78,803, compared to the Council's actions.

Based on the above reasons, I ask that you sustain my veto and adopt my recommended substitute action.

Veto of the Parking Fund Transfer in line 490.5-17

I am vetoing the transfer of \$18,432,150 from the Parking Fund to the General Fund that is found on line 490.5-17 of the Budget. This transfer was based in part on the previously-estimated amount of increased parking fine attributable to increased fines included in File 080749, which I have also vetoed. The revenue estimate associated with this File appears to have exceeded probable revenues by \$300,000, due to some technical inconsistencies.

My proposed substitute action provides for a transfer of \$18,132,150 from the Parking Fund to the General Fund. This substitute action enables the increased Parking Fund transfer to be consistent with the actual expected Parking revenue increase. Approving my substitute action will promote a greater level of parking Fund sustainability for future budgets.

The net impact of my veto and proposed substitute action reduces general fund revenues by \$300,000 with a corresponding increase to the tax levy.

Based on the above reasons, I ask that you sustain my veto and adopt my recommended substitute action.